

March 3, 2006–House Agriculture Committee
Comments by Bruce Fry, Assistant Operations Manager, Mohr-Fry Ranch
Treasurer, California Association of Winegrape Growers (CAWG)

Thank you for inviting me to be here today and for holding your hearing in San Joaquin County. My name is Bruce Fry. I am a fifth generation California farmer from Lodi which is just a few miles north of Stockton. Our family owns 2000 acres in San Joaquin and Sacramento counties but grows cherries, winegrapes and field crops on only about 950 of the acres. We are very proud of the half dozen wine labels that carry the Mohr-Fry Ranch vineyard designation. I am very pleased to be here today on behalf of the California Association of Winegrape Growers (CAWG). Established in 1974, CAWG is an advocate for farmers, providing leadership on public policies, research and education programs, sustainable farming practices and trade policy to enhance the California winegrape growing business and our communities.

If you have the opportunity to drive from here to Lodi this afternoon, you will see the rapid urban growth we are experiencing and the accompanying ag-urban interface issues it presents. My family is acutely aware of the impact of ag land conversion for urban development. Our family's farming operation started in 1855 in Alameda County. In 2005, we received the California Agricultural Heritage Award for being in operation for 150 years. The rapid growth of Hayward and the East Bay in the late 1950's forced us to re-locate to San Joaquin and Sacramento Counties. Two generations later, the same thing is now happening as Stockton growth is rapidly approaching one of our family ranches on the south and Sacramento growth approaches one of our ranches on the north. The Lodi district is a great area for growing winegrapes. I'm hoping that my two daughters will want to be a part of our family farm and that farming in Lodi will still be viable because it is valued not only for its economic contribution to our region and the state but also because of our careful management of natural resources and the environment.

My personal family experiences and my dreams for the future of my daughters in agriculture are the reason I am here today to talk about the 2007 Farm Bill. Believe me I would rather be working in my vineyards than speaking in public, but there is too much at stake for California farmers not to participate in these kinds of public forums and I want you to know how much we appreciate this opportunity!

First of all, I'd like to make a plea that we stop referring to this very important public policy issue as "the Farm Bill." The legislation represents our country's policy about Food, the Environment, Fuel and Rural Communities. It puts in place programs that touch the daily life of every American but it sounds like an exclusive policy for the relatively small number of people actually engaged in farming.

I will spend my few minutes of comments highlighting some of the USDA programs that have worked well for the winegrape community. Winegrapes, like many other high-value, permanent specialty crops, have tremendous potential for keeping land

in agricultural production, making agriculture an attractive career choice for future generations and being the global market leader in quality, value and consumer choice. We've grown tremendously in recent years with grapes as California's second-largest agricultural crop, and wine as the state's number one value-added agricultural product. The economic impact of the wine community to the state's economy was last measured at \$45.4 billion and we intend to continue adding value for the future. Now is the time to invest in the fundamentals and partner with government to protect and enhance all of agriculture's ability to compete in the global market.

Protection from Invasive Pest and Diseases

In a world with free and easy movement of people, products and plant materials, we increase the chances of exotic pest and disease infestations that could potentially devastate our agriculture, the environment and public health. In a borderless global economy, there has been a measurable increase in new intrusive pests entering the U.S. and California.

The constant threat of the introduction of invasive pests demands that we be prepared to respond immediately to new infestations, and more importantly, be proactive with research and planning to detect and prevent new infestations. Exotic pests and disease have been an important concern for California because of its natural resources and multi-billion dollar agriculture industry, but the problem is more urgent and complex than ever before. The winegrape community knows this first-hand because of the Glassy-winged Sharpshooter and its ability to vector a grapevine killing disease. More recently, the Vine mealybug has created serious problems in vineyards across California and forced an increase in the use of some chemical controls that have a negative impact on our sustainable winegrowing practices. We are grateful that Congress and USDA have made funding available to control the Glassy-winged Sharpshooter. However, eradication and ongoing suppression programs are expensive and disruptive to the environment.

A wiser investment would be to fully fund APHIS. Through port inspections, quarantine treatments, detection surveys and eradication efforts we can prevent the introduction of new invasive species and the spread of existing ones. We need state and federal governments working closely together to eliminate conflicting actions and to assure a rapid response when new pests are introduced.

We also need to invest in research and technology to establish basic scientific knowledge about invasive pests and our ecosystems. With the requirement of the WTO system for all member countries to treat all trading partners equally and the same as domestic producers, it is critical that we develop state-of-the-art science to apply to pest risk assessments and analyses in order to comply with international standards and still protect agriculture and natural resources.

Recommendation: *We recommend mandatory funding of \$100 million per year for APHIS to develop a program that determines and prioritizes off shore threats to domestic production of fruits, nuts and vegetables, including bio terrorism. The program*

should be modeled after the cooperative Agricultural Pest Survey approach. As a component of this task, APHIS should work with ARS in developing domestic mitigation and/or eradication efforts where appropriate.

Recommendation: *An Office of Pest Management should be established and funded within the Secretary's office.*

Research, Extension and Education

California winegrape growers are innovative, adaptive and willing to meet new challenges. Our most significant challenge is fierce international competition – about 27% of the wine consumed in the U.S. is imported. Wine production in the European Union is highly subsidized and the governments in other New World wine producing countries provide significant export support and research assistance. For example, the Australian government has a matching dollar program for grape and wine research that is part of a \$25 million (US\$) annual investment program for the grape and wine sector – significantly higher than the United States.

Grapes are an expanding high value crop across America. The U.S. grape crop, now grown in about 45 states, has a farm gate value of more than \$3 billion. Winegrapes have increased far faster than the overall grape crop and now represent almost two-thirds of the total crop. Grapes are the highest value fruit crop in the nation and the sixth largest crop overall. Grapes processed in agricultural areas for wine and juice adds tremendous farm-based value to the crop.

To continue to prosper in the face of increasingly daunting international competition, we must lead in the production of grapes and wine that are of superior quality and value and we must do so with sustainable practices that respect the environment, our employees and our communities. This requires increased investment in research and the extension of research results to stimulate innovation and accelerate the adoption of new best practices. Funding for research at the state and federal levels should be increased and private/public partnerships should make the most efficient use of limited research dollars.

For the past two years the wine community has worked with the table, juice and raisin grape industries to develop the National Grape & Wine Initiative (NGWI), a national strategic plan which identifies four key research and education areas:

1. Understanding and Improving Quality;
2. Consumer Insights, Nutrition and Community;
3. Processing and Production Efficiency; and
4. Sustainable Practices

The NGWI vision is: *“By 2020, the American grape and wine industry will triple its economic impact to \$150 billion by strongly increasing market share, becoming the undisputed world leader in value and sustainability and contributing to the quality of life*

in our rural communities.” An important component of our strategic plan is a requirement that all research effectively target and be executed against national priorities, producing commercially viable outcomes which are effectively communicated through extension and education resources to accelerate adoption by growers and processors.

The development of the strategic plan has helped us to clearly articulate the priority research needs of our industry. The Initiative is collaborating with land grant universities, state and federal researchers and extension personnel to incorporate industry priorities into their programs. The opportunity to foster hundreds of billions of dollars in economic growth is within reach. If we miss this opportunity, competitors like Australia will use their own investment programs to seize market share at the expense of the United States.

Through the Congressional appropriations process, in recent years, there has been an incremental increase in funding for ARS research focused on the priority needs of the grape industry. However, the USDA investment in grape and grape product research pales in relationship to the value of this sixth largest crop and in comparison to USDA research funding for the five largest crops. Research for all specialty crops needs to be significantly increased.

Recommendation: We are requesting **\$5 million** a year in ARS funding to support the ongoing National Grape and Wine Initiative cooperative effort in consultation with industry and working with land grant universities and other research entities to bolster the competitiveness of grape growers, wineries and processors throughout the nation.

Recommendation: *We seek **mandatory** funding of **\$200 million** a year to establish an integrated grants program within USDA to improve the efficiency and competitiveness of specialty crop producers. This would be a new program where grants will be evaluated and awarded on the basis of substantial specialty crop industry input and be used to fund research that addresses the short-term, intermediate, and long-term needs of the specialty crop industry in production technology, mechanization, marketing, product development, food security and food safety to improve the competitiveness of the specialty crop industry. This program may also be used to fund development and implementation of industry-specific strategic plans to prioritize research and develop industry and research collaboration.*

Recommendation: *We advocate mandatory funding of **\$5 million** a year from the Commodity Credit Corporation to establish the National Clean Plant Network of Clean Plant Centers for diagnostic and pathogen elimination services to produce clean propagative plant material and to maintain blocks of pathogen-tested plant material in sites located throughout the country. Clean plant source material may be made available to states for their certified plant programs. Clean plant source material may also be made available to private nurseries and growers. In carrying out the program, the Secretary shall consult with state departments of agriculture and land grant universities. To the extent practicable and with input from the appropriate state officials and industry*

representatives, the Secretary shall utilize existing federal or state facilities to serve as such centers.

Recommendation: *We request that Congress mandate the development of a specialty crop priority area within the overall areas of emphasis of the National Research Initiative (NRI). As part of this priority area, funding should be dedicated to applied research and extension programs. The goal of this action would be to increase the priority level of specialty crop research.*

Furthermore, report language should direct federal research funding to reflect the value of specialty crop production which represents over 50% of the total plant agricultural production value in the U.S. with priority given to integrated projects combining research, extension and education. ARS and CSREES should be directed to cooperatively and actively engage with and support specialty producers in the development and implementation of applied research and extension.

Recommendation: *We recommend **mandatory** funding of \$20 million a year to establish a Resource Stewardship Applied Research Initiative to create and disseminate integrated research to help farmers implement practices to address the important environmental challenges of improving air quality, water quality, water conservation, and preserving biodiversity. The Initiative should incorporate a demonstration model, such as Biologically Integrated Farming Systems, to transform research into practice.*

Conservation and Environmental Stewardship Programs

Even though California is one of the most productive agricultural regions of the world and by far the most productive in the U.S., we farm in the country's most populated state. About 12.5 percent of the U.S. population resides in California. Our current population is 36 million and we are growing at about 550,000-600,000 people a year. By 2050 we will have 55 million Californians – and we will need an additional 7 million homes; 10 million jobs; and roads for 12 million more motor vehicles. The competition for natural resources is intense to say the least!

California farmers and processors face unique environmental challenges because of this competition for natural resources and the imposition of more stringent state and local environmental regulations. Viticultural practices and the cost of doing business are directly impacted by new air quality rules and emerging water quality regulations. Wineries are facing additional compliance costs for the treatment of winery process water and stringent rules to reduce ethanol emissions created in the fermentation of red wine.

California's rural areas are changing dramatically as a result of our population explosion and urban encroachment. The wine community has tried to respond proactively. Growers and vintners understand the need to demonstrate success in solving environmental problems and by doing so we hope to reduce current and future environmental liabilities. To maintain a positive business and public policy atmosphere we have made an industry-wide commitment to sustainable winegrowing practices that are environmentally sound, economically feasible, and socially responsible. That means

being able to maintain market share in a fiercely competitive global market while keeping good neighbor and community relations.

I'm very proud of the role Lodi winegrape growers have played as leaders in the statewide effort. With grants from U.S. EPA and USDA, Lodi created the first district-wide IPM program, established one of the first Biologically Integrated Farming Systems, and created the Lodi Winegrower's Self-Assessment Workbook. Our fifteen years of pioneering work has been the basis for the statewide Sustainable Winegrowing Program established by CAWG and Wine Institute.

The Lodi-Woodbridge Winegrape Commission has taken the next step with the introduction of *Lodi Rules for Sustainable Winegrowing*. This is the first set of appellation-wide sustainable viticulture standards certified with third-party audits (Protected Harvest). We see certification of our sustainable practices based on quantifiable environmental indicators as a way to differentiate our product and provide quality assurances to the wineries who buy our grapes and ultimately to wine buyers in the global market.

Mohr-Fry Ranch was one of the first vineyards to achieve certification under *Lodi Rules*. That was important to me because being a good steward, a good neighbor and a good employer reflects our family values. My home growing up was in a vineyard and my daughters are growing up in a home in a vineyard. Our vineyards are beautiful to see and a healthy place to work and live.

The California Sustainable Winegrowing Program provides a self-assessment workbook for growers and vintners to benchmark their practices on viticulture; soil management; vineyard water management; pest management; wine quality; ecosystem management; energy efficiency; winery water conservation and quality; material handling; solid waste reduction and management; air quality; environmentally preferred purchasing; human resources; neighbors and communities. Over 1,300 enterprises have participated. The *2004 California Wine Community Sustainability Report* is based on the submission of self-assessments to help us establish baselines and identify targets for improvement. We are now in the process of facilitating action plan workshops to help participants identify their goals for improving practices in their vineyards and wineries.

Despite all the work we've done on sustainable practices, our ranch has not participated in EQIP or other NRCS programs because of the bureaucratic paperwork and commitment of time that is hard to justify for the relatively small amount of cost-share funding the program offers. The Conservation Security Program (CSP) is a more viable program but is woefully under funded and despite California's rich natural resource base has only one of the 60 watersheds eligible for CSP in 2006!

CAWG enthusiastically endorses the CSP and urges you to greatly expand the program to reward growers who already act as model conservationists and recognizes the ecosystem services provided by farms and ranches with good stewardship practices. Based on our experience in Lodi and statewide, we also applaud the Conservation

Innovation Grant Program and encourage more funding to be made available to foster group efforts to develop and demonstrate practical on-farm solutions for environmental issues.

Recommendation: *We recommend expansion of the scope for the Conservation Security Program to significantly increase the number of watersheds contained in the program, particularly in states with farmlands in environmental sensitive areas. Air quality, water conservation and pest management objectives should be made equal priorities with soil and water quality objectives.*

Recommendation: *The Adjusted Gross Income (AGE) Limitation should not apply to conservation programs.*

Recommendation: *Increase funding for the Environmental Quality Incentives Program (EQIP) and include the conservation of ground and surface water for irrigation as a separate national priority. Create an air quality program under EQIP with dedicated funding. Furthermore, NRCS should be directed to work with land grant universities and other entities to develop model programs for using EQIP funds to enhance pesticide stewardship.*

Recommendation: *Current program criteria do not provide the flexibility to foster innovation and the implementation of new systems and technologies to address environmental challenges. NRCS, working with land grant universities, should establish a process whereby private, voluntary programs that meet important environmental management criteria are deemed “equivalent” to EQIP and CSP self-assessments and check-lists for purposes of qualifying for EQIP and CSP payments.*

Other Programs

Marketing and Promotion: The number of wineries in California has grown to about 1,300. Product lines and labels are also expanding, with over 60,000 wine labels registered. In less than ten years, Lodi has grown from ten wineries to about sixty wineries. Many more growers are developing wine labels and creating small wineries as they vertically integrate to add value and provide prospects for the next generation of their family to stay in the business. The proliferation of wine brands requires increased sales and marketing expertise. Through the Lodi-Woodbridge Winegrape Commission, the growers of our district have benefited from the Rural Development Program’s Value-Added Grants. It provided funding for an education program for growers on how to evaluate prospects for developing a winery, from the creation of a business plan to implementation of effective marketing initiatives. It also provided important funding for consumer research for the *Lodi Rules* program.

I’m aware of other winegrowing regions that have used the grants to successfully develop wine trails, AVA maps and media tours and events in major markets to draw attention to the grapes and wine of their area, thus adding value and stimulating tourism

in addition to direct marketing opportunities. We encourage more funding for the Value-Added Grants Program.

The expansion of exports of California wine over the last decade has also been dramatic – going from \$196 million in 1994 to \$808 million in 2004. Wine Institute manages the California Wine Export Program, using resources from USDA's Market Access Program (MAP). Continued funding of at least \$200 million a year in matching funds for the MAP program is critically important for wine and other California specialty crops.

Crop Insurance: Federal crop insurance that provides adequate coverage for permanent, high-value vineyards is an important risk-management tool for winegrape growers. The program in California has worked well for winegrape growers, thanks to the leadership of the California office of the Risk Management Agency.

The program needs flexibility to respond more quickly to changes that do occur. We support the expansion of pilot programs to help specialty agriculture, putting a structure in place for premium payments and incentives to purchase more adequate coverage at higher levels and premium discounts for good performance.

Critical Labor: Our employees are a valuable part of my family's operation. We employ about 25 full-time, year-round employees and approximately 100 seasonal employees. Many of the cultural practices for our high-value specialty crops require an inordinate amount of hand labor. Thus, we are dependent on hired migrant labor. In the last few years we have done all that we can to keep employees busy throughout as much of the year as possible. However, there is only so much we can do to lengthen the time of employment or to increase the hourly wage. We are competing against highly subsidized competitors from other countries and producers who enjoy lower production costs and less regulatory requirements. We are price takers, not price makers and we cannot simply pass along the higher costs of wages paid any more than we can pass along the higher cost of energy or other inputs.

We need comprehensive immigration reform that not only considers enforcement measures but also includes a meaningful guest worker program. Agriculture and the consumers of all that we produce are dependent upon a legal guest worker program. Future policy should dedicate a portion of funding for Rural Development Programs to the housing, transportation and education needs of those who provide the critical labor for growing and harvesting high-value specialty crops.

Thank you for the opportunity to share my thoughts with you. As you undertake the development of policy to address the Food, Environmental, Fuel and Rural Development needs of America please know that your efforts are deeply appreciated by this California winegrape grower and our statewide association!